INFORMATION BULLETIN #87A

INCOME TAX

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SUBJECT: Residential Historic Rehabilitation Credit

REFERENCE: IC 6-3.1-22

INTRODUCTION:

There is an adjusted gross income tax credit available for the rehabilitation of historic residential property.

I. QUALIFIED TAXPAYERS

A qualified taxpayer is an individual filing a single return, or a husband and wife filing a joint return. If the husband and wife file a separate return, they may take the credit in equal shares, or one spouse may take the whole credit.

II. QUALIFIED EXPENDITURES

Qualified expenditures means expenditures for preservation or rehabilitation of a structure that enables the structure to be principally used and occupied by the taxpayer as the taxpayer's residence. The term does not include costs that are incurred to do the following:

- Acquire a property or an interest in a property.
- Pay taxes due on a property.
- Enlarge an existing structure.
- Pay realtor's fees associated with a structure or property.
- Pay paving and landscaping costs.
- Pay sales and marketing costs.

III. QUALIFICATION FOR THE TAX CREDIT

A taxpayer qualifies for the credit if all the following conditions are met.

1. The historic property is located in Indiana, is at least fifty years old, and is owned by the taxpayer.
2. The division of historic preservation and archeology of the department of natural resources (division) certifies that the historic property is listed in the register of Indiana historic sites and historic structures.
3. The division certifies that the taxpayer submitted a proposed preservation or rehabilitation plan to the division that complies with the standards of the division.
4. The division certifies that the preservation or rehabilitation work that is subject to the credit substantially complies with the proposed plan.
5. The preservation or rehabilitation work is completed in not more than two years, or five years if the preservation or rehabilitation plan indicates that the preservation or rehabilitation is initially planned for completion in phases.
6. The historic property is principally used and occupied by the taxpayer as the taxpayer's residence.

IV. LIMITATION OF THE TAX CREDIT

The qualified expenditures for preservation or rehabilitation of the historic property must exceed ten thousand dollars ($10,000). The tax credit is equal to twenty percent (20%) of the qualified expenditures that the taxpayer makes for the preservation or rehabilitation of the historic property. The total amount of all credits for all taxpayers may not exceed two hundred fifty thousand dollars ($250,000) in a state fiscal year.

V. PROCEDURE TO CLAIM THE CREDIT

The taxpayer shall claim the credit on the taxpayer's annual state income tax return. The taxpayer shall submit to the Department the certifications approved by the division.

If the credit exceeds the taxpayer's state income tax liability for the taxable year for which the credit is first claimed, the excess may be carried over to succeeding taxable years and used as a credit during those taxable years. The credit may be carried forward and applied to succeeding taxable years for fifteen taxable years following the unused credit year. A taxpayer is not entitled to a refund or carry back of any unused credit.

VI. RECAPTURE OF CREDIT CLAIMED

The Residential Historic Building Tax Credit shall be recaptured from the taxpayer if the property is transferred less than five years after completion of the certified preservation or rehabilitation work. The credit will also be recaptured if, less than five years after the completion of the certified preservation or rehabilitation, additional modifications to the property are undertaken that do not meet the standards of the division.

If the recapture of a credit is required, an amount equal to the credit recaptured shall be added to the tax liability of the taxpayer for the taxable year during which the credit is recaptured.

Kenneth L. Miller
Commissioner